
SUCCESSOR AGENCY to the REDEVELOPMENT AGENCY of the CITY of BURBANK

DATE: May 27, 2014

TO: OVERSIGHT BOARD

FROM: Cindy Giraldo, City of Burbank Financial Services Director

SUBJECT: REFUNDING OF BURBANK PUBLIC FINANCING AUTHORITY REVENUE BONDS, 2002 SERIES A (REDEVELOPMENT AGENCY OF THE CITY OF BURBANK – WEST OLIVE REDEVELOPMENT PROJECT), REVENUE BONDS, 2003 SERIES A (GOLDEN STATE REDEVELOPMENT PROJECT), REVENUE BONDS, 2003 SERIES B (SOUTH SAN FERNANDO REDEVELOPMENT PROJECT), REVENUE BONDS 2003 SERIES C (CITY CENTRE REDEVELOPMENT PROJECT) AND CITY OF BURBANK COMMUNITY FACILITIES DISTRICT NO. 2005-1 (THE COLLECTION PUBLIC PARKING FACILITY), 2005 SPECIAL TAX BONDS

RECOMMENDATION

Staff recommends that the Oversight Board adopt the proposed resolution, which directs the Successor Agency to the Redevelopment Agency of the City of Burbank (the “Successor Agency”) to refund bonds and other indebtedness of the former Redevelopment Agency of the City of Burbank (the “Former Agency”).

BACKGROUND

Assembly Bill No. 1X 26 (AB 1X 26), adopted on December 29, 2011, dissolved redevelopment agencies and established successor agencies and oversight boards to assist in the wind down of former redevelopment agencies. On June 27, 2012, AB 1484 was adopted to further clarify AB 1X 26. AB 1484 added Section 34177.5 to the California Health & Safety Code to allow for the refinancing of certain redevelopment agency obligations to achieve debt service savings, with the approval of the Oversight Board and State Department of Finance (“DOF”).

The Former Agency has five obligations (the “Prior Obligations”) that could achieve potential savings in the current market. These obligations, which secure bond issues of the Burbank Public Financing Authority (the “Authority”) and the City of Burbank (the “City”), are shown in the following table:

Transaction/Underlying Agency Obligation	Maturities	Original Par	Outstanding Par	Interest Rates
Revenue Bonds, 2002 Series A (Redevelopment Agency of the City of Burbank – West Olive Redevelopment Project – secured by 2002 West Olive Loan Agreement	12/1/14 to 12/1/26	\$14.0MM	\$9.105MM	3.375% to 5.125%
Revenue Bonds, 2003 Series A (Golden State Redevelopment Project) – secured by Golden State Redevelopment Project, Tax Allocation Bonds, 1993 Series A	12/1/14 to 12/1/24	\$87.265M	\$31.105M	4.75% to 5.50%
Revenue Bonds, 2003 Series B (South San Fernando Redevelopment Project) – secured by South San Fernando Redevelopment Project, Tax Allocation Bonds, 2003 Series A	12/1/14 to 12/1/33	\$5.235MM	\$4.16MM	4.75% to 5.50%
Revenue Bonds, 2003 Series C (City Centre Redevelopment Project) – secured by City Centre Redevelopment Project, Tax Allocation Bonds, 1993 Series A	12/1/14 to 12/1/23	\$22.015M	\$12.945M	3.990% to 4.80%
Community Facilities District No. 2005-1 (The Collection Public Parking Facility) 2006 Special Tax Bonds – secured by a Prior Agency note secured by tax increment revenues from City Centre	12/1/14 to 12/1/23	\$6.155MM	\$4.555MM	4.65% to 5.20%

DISCUSSION

Interest rates in the current market are near historic lows. By issuing bonds (“Refunding Bonds”) to refund the Prior Obligations, the Successor Agency can achieve total debt service savings of approximately \$10.3 million and net present value savings of approximately \$7.8 million, without extending the final maturities of the Prior Obligations to be refunded. The estimated savings, including annual savings, are shown in the table below:

	2002 Bonds (West Olive)	2003 Bonds (Golden State)	2003 Bonds (S. San Fern)	2003 Bonds (City Centre)	2006 Bonds (CFD 2005-1)	Total Savings
Year						
2015	\$148,658	\$430,375	\$52,494	\$272,853	\$93,343	\$997,721
2016	143,588	432,350	55,150	272,403	90,793	994,283
2017	142,898	431,275	53,600	274,565	90,993	993,330
2018	146,088	431,600	51,825	274,765	90,450	994,728
2019	146,569	433,000	54,750	272,878	89,030	996,226
2020	146,256	430,088	52,025	277,448	91,740	997,556
2021	145,150	432,800	54,150	275,143	88,520	995,763
2022	143,250	430,863	50,925	276,133	89,800	990,970
2023	145,500	430,388	52,550	275,120	90,380	993,938
2024	144,500	429,375	55,575			629,450

2025	143,250		53,300			196,550
2026	141,750		50,975			192,725
2027			53,600			53,600
2028			55,900			55,900
2029			52,900			52,900
2030			54,825			54,825
2031			51,425			51,425
2032			52,950			52,950
2033			54,150			54,150
Total	\$1,739,919	\$4,312,113	\$1,013,069	\$2,471,305	\$815,048	\$10,348,949
\$ NPV*	\$1,200,419	\$4,027,613	\$766,055	\$1,352,690	\$466,373	\$7,813,150
% NPV**	13.18%	12.95%	18.41%	10.45%	10.24%	12.63%

*NPV = Net present value

**%NPV = NPV as % of Bonds refunded

The final savings will depend on the market interest rates in effect at the time the Refunding Bonds are priced, which is estimated in September 2014. Depending on interest rates at the time, some or all of the Prior Obligations may no longer be economic to refund. Any estimated annual savings would be split among the taxing entities, including the county, school districts and the City's general funds.

The Prior Obligations are callable on any date without premium. Based on a preliminary financing schedule, it is anticipated that the Refunding Bonds would close in early October, with the Prior Obligations redeemed in mid-October.

Pursuant to Health & Safety Code Section 34177.5(f), the Oversight Board may direct the Successor Agency to commence proceeding to issue the Refunding Bonds to refund, in whole or in part, any or all of the Prior Obligations. Pursuant to subdivision (h) of Section 34179, DOF may review such Oversight Board action, so long as the Successor Agency is able to recover its related costs, including the cost of reimbursing the City for administrative staff time spent with respect to the authorization, sale and delivery of the Refunding Bonds. Such costs may be recovered through proceeds of the Refunding Bonds, if issued, or through the Recognized Obligations Payment Schedule ("ROPS") process.

DOF is allowed 60 days to review any actions of the Oversight Board to approve refunding bond issues. Assuming approval of the Oversight Board on May 27, 2014, DOF would have until approximately July 26, 2014 to review any action by the Oversight Board. Once the Successor Agency and Oversight Board approves the financing and legal documents for the Refunding Bonds (anticipated on June 10 and June 17, 2014, respectively), those documents will be sent to DOF for review and approval.

FISCAL IMPACT

Based on current market rates, the proposed Refunding Bonds will generate estimated total debt service savings of approximately \$10.3 million and net present value savings of \$7.8 million, net of all transaction costs; the term of the Refunding Bonds will not exceed the term of the Prior Obligations being refunded. The source of repayment of the Refunding Bonds will be limited to tax revenues (in amounts equivalent to former tax increment revenues) generated in the Burbank Merged and Amended Redevelopment Project and the West Olive Redevelopment Project and deposited by the County in to the Successor Agency's Redevelopment Property Tax Trust Fund.

The Refunding Bonds will not be a debt of the City. The Successor Agency will be directed to recover its costs either through proceeds of the Refunding Bonds, if issued, or through the ROPS process, if the Refunding Bonds are not issued.

CONCLUSION

The Oversight Board should direct to Successor Agency to commence proceedings to issue the Refunding Bonds to refund in whole or in part all or any of the Prior Obligations so long as the requirements of Sections 34177.5(a)(1) and 34177.5(h) of the Health & Safety Code are satisfied upon the issuance of the Refunding Bonds.